

CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
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A decorative graphic consisting of several overlapping, curved, parallel lines in various shades of gray, creating a sense of depth and movement. The lines are arranged in a way that suggests a stylized, abstract landscape or a series of waves.

About the City



Prior to the arrival of Spanish expeditions en route from Mexico, peaceful tribes of Native Americans inhabited the lush Santa Clara Valley. Under Spanish and Mexican jurisdictions, instituted in 1778, a vast region that includes present day Morgan Hill was one of the most substantial Spanish land grants for nearly three quarters of a century.

In 1845 Martin Murphy, Sr. acquired 9,000 acres known as the Rancho Ojo de Agua de la Coche. Murphy had been a leader of the first party of pioneers to cross the Sierra Nevada range at Truckee Pass, later to become the route for the Southern Pacific Railroad. The Murphy family made its home in the valley below El Toro Mountain. By 1870 Martin's seven sons and daughters had managed to acquire more than 70,000 acres.

In 1851 the youngest son, Daniel, married Maria Fisher, heiress to the neighboring 19,000 acre Rancho Laguna Seca. Diana, their precocious daughter secretly married Hiram Morgan Hill in 1882. When Daniel Murphy died, Diana inherited 4,500 acres of their original rancho in

the shadow of El Toro.

Diana and Hiram Morgan Hill built their estate, the Villa Mira Monte, between the railroad and Monterey Road in 1886. When the first Southern Pacific station was built in 1898, the railroad referred to this area as Huntington. Many visitors would request the train stop at “Morgan Hill’s Ranch,” changing the name to Morgan Hill.

By 1896 the growing community had a population of 250 with a post office, depot, two hotels, a restaurant, and several churches and shops. There was much controversy over the incorporation of the city. The Times printed many editorials supporting the issue, while those opposed were fearful of higher taxes. But the “yes” vote won by a margin of 65-36 and Morgan Hill became incorporated November 10, 1906. By 1909 the population rose to 1,000.

The first school was built in 1894, but was soon outgrown and in 1907 architect William Weeks designed a new school. By the 1920s the City was known for its agricultural products including prunes, apricots, peaches, pears, apples, walnuts, and almonds. The region boasted prosperous vineyards until Prohibition demanded that production temporarily cease. Around the 1950s Morgan Hill experienced an economic transformation from an agricultural center to a suburban residential community. Growth began to accelerate rapidly in the 1970s as Silicon Valley developed and workers were attracted to Morgan Hill's small town atmosphere, sense of community and reasonable housing prices. On November 3, 1973 the Morgan Hill Civic Center and library were proudly dedicated to the community of 7,000. By 1980 the population increased to approximately 18,000 residents. The 2010 census confirmed that 37,882 citizens called Morgan Hill their home.

Thoughtful planning has made Morgan Hill one of the most desirable cities in Santa Clara County. People are drawn to the beautiful hillsides surrounding the valley,

the peaceful atmosphere, the quaint downtown shops and eateries and general quality of life. Parks and open spaces abound, making Morgan Hill one of the last communities in the region with a charming, small town atmosphere. The fertile soil in and around Morgan Hill help growers produce wonderful fruits, vegetables and award winning wine. Residents and visitors often spend a sunny afternoon visiting some of the local vineyards offering wine tasting and tours, enjoying one of the local golf courses, or floating above the city in a hot air balloon. The city is known for its regional, world-class recreational facilities that attract over 1.3 million visitors annually.

Just 15 miles inland from the Pacific coast, Morgan Hill is surrounded by the Santa Cruz Mountains to the west and the Diablo Range to the east. Morgan Hill is just minutes away from the big city amenities of San Jose, and a short one-hour drive to the redwood forests and beaches of Santa Cruz and to the spectacular Monterey Peninsula. The City is a short commute to the businesses of the Silicon Valley. Caltrain runs daily through the city and connects commuters to San Jose's light rail systems throughout the Bay Area.

Incorporated in 1906, Morgan Hill is a general law city with a council-manager form of government. The four City Council members are elected in municipal elections to four-year terms. The Mayor is directly elected to serve a two-year term. In addition to the Council, the City Clerk and City Treasurer are also elected to four-year terms. The City has a volunteer Planning Commission, made up of seven members appointed by a majority vote of the Council to four-year terms.

250,000 annual event visitors

About the City (continued)

City of Morgan Hill, California

Miscellaneous Statistics - June 30, 2015

General Information

Date of Incorporation	October 1906
Form of Government	Council/Manager
Area	12.9 square miles
Miles of Streets	149
Number of Street Lights	4,161
Taxable Sales	\$712,538,500
Number of Registered voters	20,158
Median household income for Morgan Hill	\$95,531
Elevation in feet	320
Building Permits Issued during year	2,105

Demographics:

Median Age	37.5
Median Persons per household	3.0
Population (consisting of)	41,779
White	49.4%
Hispanic	33.9%
Asian	9.4%
Black	2.7%
Native American	0.1%
Other, mixed	4.1%

Fire Protection:

Number of stations (2 City, 1 State)	3
Fire Aparatus	2
Fire Vehicles Other	3

Police Protection:

Number of stations	1
Number of reserves	4
Number of police cars/motorcycles	24

Municipal Water Services:

Number of Active Accounts	13,274
Average Daily Consumption (gallons)	7,693,767
Miles of Water Mains	185
Pumping Capacity (thousand gallons/day)	12,000

Source: Various Data Records

Education:

Elementary Schools	15
Junior High and High Schools	14
Total Average Daily Attendance	8,408

Health Facilities:

Dentists and Optometrists	39
Physicians/Surgeons	34
Chiropractors	10
Therapists	44
Medical Clinics	8
Veterinarians	4

Culture and Recreation:

Parks	22
Acres in parks	470
Libraries	1
Theaters	1
Churches	28
Radio Stations	3
Reservoirs	11
Recreation Centers	4

Employees:

City Council	5.00
City Manager	1.20
City Attorney	2.63
Administrative Services	18.40
Community Services	21.79
Police	58.50
Fire	
Community Development	22.67
Public Works	32.29
Internal Services	19.52

Total Employees	182.00
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Sewer Services

Peak Flow (thousand gallons/day)	5,900
Miles of sewer lines	165

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On behalf of my Morgan Hill teammates, it is a privilege to present you and the community the Recommended Fiscal Year 16-18 Biennial Operating Budget and FY 16-17 through FY 21-22 Capital Improvement Program Budget (CIP). This is the first year of the transition to a two year operating budget cycle and six year CIP. The biennial budget consists of two separate budgets that the Council will consider for adoption. Prior to the conclusion of the FY 16-17 annual budget, the Council will be provided an update on revenue assumptions, fund balances, and possible amendments to the FY 17-18 annual budget. A sixth year has been added to the CIP to ensure a five year spending plan is maintained.

This process, overseen by the City Manager, will be completed in April, 2016. The Recommended Fiscal Year 16-18 Biennial Operating Budget and FY 16-17 through FY 21-22 Capital Improvement Program Budget (CIP) was made available to the public on April 29, 2016 and will be presented to the Council on May 4, 2016. A City Council budget workshop is scheduled for May 20, 2016, a Public Hearing on June 1, 2016, and finally adoption on June 15, 2016.

Important Dates	Event
January 29, 2016	City Council Goal Setting Workshop
February 3, 2016	Budget Calendar Presented to City Council at Regular Meeting
April 29, 2016	Recommended Fiscal Year 16-18 Biennial Operating Budget and FY 16-17 through FY 21-22 Capital Improvement Program Budget (CIP) made available to the public
May 4, 2016	Recommended Fiscal Year 16-18 Biennial Operating Budget and FY 16-17 through FY 21-22 CIP presented to the Council at Regular Meeting
May 20, 2016	City Council Budget Workshop
June 1, 2016	Public Hearing: Recommended Fiscal Year 16-18 Biennial Operating Budget and FY 16-17 through FY 21-22 CIP
June 15, 2016	Budget Adoption: Recommended Fiscal Year 16-18 Biennial Operating Budget and FY 16-17 through FY 21-22 CIP

Budget Overview (continued)

BUDGET APPROPRIATIONS

Appropriations are the amounts approved for expenditure by the City Council with the adoption of the annual budget and subsequent budget amendments which are brought to the Council for their approval. Appropriations are separated by object categories within an activity budget. The object categories available are: 1) Salaries; 2) Supplies and Services; 3) Capital Outlay; 4) Debt Service; 5) Internal Services; and 6) Transfers. The legal level of control is established as follows:

A Department Director has the authority to transfer between line items within an activity to facilitate the functions of the activity in accordance with the directions, goals and policies of the City Council. The City Manager is authorized to transfer appropriations within an activity to facilitate the functions of that activity in accordance with the directions, goals and policies of the City Council.

A transfer of appropriations between activities or additional appropriation requires City Council approval. New programs and new appropriations not anticipated during the budget process require City Council approval.

BUDGETARY CONTROL

Budgetary control is maintained through monthly revenue and expenditure account reports, which are reviewed by the City Manager and Department Directors. Reports are also provided to the City Council.

As necessary, a mid-year budget review and adjustment process is completed every other year in the Spring and submitted to the Council for review and approval in June. Budgetary adjustments are considered within the framework of the adopted budget and the City Council directions, goals and policies.

BUDGET AMENDMENTS

The budget as adopted by the City Council can be amended during the fiscal year. The need to

amend or adjust the budget typically arises in response to unforeseen circumstances or events. For example, the Council is required to formally recognize the receipt of unanticipated revenue before the City can legally accept and spend new money. In other cases, a department may need to transfer funds to cover an unexpected shortfall in another account.

The City Manager is authorized to amend Council-approved appropriations at the activity level if, in the City Manager's opinion, such amendments are necessary and proper. The appropriation adjustment process consists of the following steps:

1. The department prepares an “Appropriation Request/Transfer Form”.
2. The request is submitted to Finance Department for review.
3. The request is submitted to the City Manager for approval.
4. Once approved, the request is returned to Finance Department to make the necessary adjustments.
5. The department receives authorization to use the adjusted appropriations.

If the request involves more than one activity or fund, Council approval is required in addition to City Manager approval.

In August/September, staff also requests that the City Council “reappropriate,” prior year unexpended appropriations primarily for capital projects. In addition, staff requests that the City Council take action on final budget amendments to the prior year to assure that prior year’s expenditures are below prior year’s Council approved budget appropriations.

BASIS OF ACCOUNTING

Government wide financial statements are reported using the accrual basis of accounting, as are the proprietary fund and fiduciary funds statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of

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footage, personnel, number of computer workstations and historical trends.

In addition to Internal Service funds, the City of Morgan Hill allocates General Fund overhead to other funds/ departments as a General Fund Administration charge. The total administrative charge for FY 2016-17 is \$1,257,416. These charges are based on services provided on the basis of General Fund departments and are allocated by estimated service levels and personnel.

DEBT OBLIGATIONS

Special assessment districts within the City have issued debt repayable by special assessments levied on property in each respective district. The City is under no legal obligation to repay the special assessment debt. However, the City is required to make advances or to be the purchaser of last resort for property on which delinquent assessments are unpaid for certain districts.

Bonds payable include sewer revenue bonds, water revenue bonds, and lease revenue bonds for the Police facility and library/development service center.

During FY 13-14, the Successor Agency of the former Redevelopment Agency sold \$88.7 million in bonds to refund the outstanding 07-08 Redevelopment Agency bonds, which were sold to finance projects located in the Ojo de Agua plan area, including the City's downtown revitalization. The refunding bonds will be repaid from the County Auditor-Controller's real property tax trust fund established under AB1x26, the State legislation that abolished redevelopment.

All principal and interest payments due on bonds, certificates of participation and loans during FY 2015-16 are included in the budget.

LEGAL DEBT LIMIT

Within the Comprehensive Annual Financial Report (CAFR), the City calculates its legal debt limit (the maximum amount of debt the City can issue) and compares it

to the debt outstanding at the end of the year to produce the legal debt margin (the amount of debt the City can issue in future years). Currently, the City has no outstanding legal debt, and is within its legal debt margin of \$1,032,954,000 as reported in the FY 14-15 CAFR.

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The Annual Work Plan is a compilation of the short-term (fiscal year) objectives established for each City department. The Work Plan items are intended to support the annual goals of the City Council as well as the long-term goals and objectives for the City as described in the various planning documents.

Fiscal Policies

1. REVENUE

- A. The City will endeavor to maintain a diversified and stable revenue base to minimize the effects of economic fluctuations on revenue generation.
- B. The City will estimate revenues using an objective, analytical process; in the case of uncertainty, conservative projections will be utilized.
- C. The City will fund all current expenditures from current revenues and available fund balance, avoiding procedures that balance current budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt.
- D. Development process costs and related administrative expenses will be offset by development fees.
- E. The City will identify basic tax-provided services and will establish user fees and charges for services provided in excess of basic services.
- F. City staff will provide monthly reports to the City Council which compare and analyze year-to-date actual revenues and expenditures to budget.

2. RESERVES & DESIGNATIONS

Purpose

- A. The City of Morgan Hill commits to target the minimum level necessary to maintain the City's credit worthiness and to adequately provide for economic uncertainties, local disasters or catastrophes, future debt or capital obligations, cash flow requirements and legal requirements.
- B. The City shall maintain unappropriated fund balance or working capital in the General Fund, Water and Sewer operating funds, Water and Sewer rate stabilization funds, Community Development Fund, and certain internal service funds.

Policy

- A. General Fund – As adopted at the City Council Policies & Goal Setting retreat on February 2004 and modified on October 7, 2009:
- a. General Fund Reserves may be used to support General Fund expenditures as long as:
 - b. Reserve levels are not depleted below a long-term goal of 25% of revenues in any year with the following exception:
 - i. reserves may be used during periods of financial and economic distress, and
 - ii. reserves shall never be depleted below a minimum level of 15% of revenues which shall be maintained as an ongoing reserve for emergencies.
 - c. If reserves do – or are projected to – fall below the 15% minimum level at any time, then policy action must be taken within 30 days of such event or projection to rebuild actual or projected reserves back up to the 15% minimum level within the subsequent 12 months.
 - d. Similarly, if reserves do – or are projected to – fall below the long-term goal of 25% at any time, then policy action must be taken no later than the next annual budget such that structural budget balance is projected to be regained within three years of the 25% floor being pierced. Once structural budget balance is regained, steady progress toward the 25% long-term goal for reserves must continue.
 - e. At other times, i.e., when reserves are 25%

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- f. Spending cuts prompted by the need to achieve structural budget balance and/or rebuild General Fund reserves will consist of service-level reductions, mitigated as much as possible by changes to employee work schedules. Service-level reductions almost certainly will require layoffs and/or renegotiation of current labor costs.
 - g. With its bargaining units the City will normally enter into new labor contracts of no more than 12 months' duration, unless General Fund reserves are back up to the long term goal of 25%, and projected to remain there for the subsequent five years.
 - h. To reduce the rate of increase in labor costs, the City will engage in good-faith negotiations with bargaining units to make cost-saving changes in retirement plans and to reduce the City-paid share of health benefits.
- B. Water and Sewer Operating Funds – The City shall make every effort to keep a minimum reserve level of 25% of the appropriated operating budget for the Sewer operating fund and the Water operating fund.
- C. Water and Sewer Rate Stabilization Funds – The City shall make every effort to keep a minimum reserve level equal to 20% of the annual estimated utility usage revenue accounted for in the Sewer operating budget and 20% of the annual estimated utility usage revenue accounted for in the Water operating budget.

H. General Liability – The City shall make every effort to maintain a minimum reserve level equal four times the self insured retention for general liability claims.

- A. A portion of General Fund Balance will be designated for economic uncertainties and not be reflected in available fund balance for budget purposes. This is to avoid the need for service level reductions in the event an economic downturn causes revenues to come in lower than budget.
- B. Reserves for Encumbrances and Continuing Appropriations are established at the end of every

Fiscal Policies (continued)

fiscal year to reserve fund balance in the amount equal to the City's unpaid obligations and unfinished projects at year-end.

- C. Other reserves, such as for cash flow needs or anticipated costs for service enhancements, will be established each fiscal year as needed.

3. CASH MANAGEMENT

- A. City investments and cash management will be the responsibility of the City Treasurer.
- B. In accordance with Section 53646 of the Government Code, the City Council will review and update annually, a specific investment policy. The primary purpose of this policy is to set forth the City's investment philosophy and objectives. The City's investment objectives are, in order of priority: 1) safety, 2) liquidity, and 3) yield. The policy also specifically outlines authorized investments, the acceptable percentages and maximum maturities allowed for each investment instrument and the criteria used to determine qualified depositories/dealers.
- C. The City invests all idle cash as determined by analysis of anticipated cash flow needs. Specific emphasis will be placed on future cash requirements when selecting maturity dates to avoid forced liquidations and the potential corresponding loss of investment earnings.
- D. In order to maximize yields from the overall portfolio, the City will consolidate cash balances from all funds for investment purposes, and will allocate investment earnings to each fund in accordance with generally accepted accounting principles.
- E. The City Treasurer will generate a monthly report to the City Council in conformance with all State laws and City investment policy requirements.

- F. The City's independent auditors, in conjunction with their annual audit, will audit the cash and investment balances in conformance with generally accepted accounting principles.

4. OPERATING BUDGET

- A. The City of Morgan Hill’s Operating Budget will be developed on a biennial basis. Appropriations for each year will be approved by the City Council.
- B. The City will avoid budgetary and accounting procedures that balance the current budget at the expense of future budgets.
- C. The City shall define a “balanced budget” as a budget where ongoing funding sources are sufficient to support ongoing funding uses. A budget may temporarily use fund balance to offset a temporary reduction in funding sources, however, fund balance shall not be used to fund ongoing expenses without a sustainable budget adjustment.
- D. The legal level of control is established as follows:
 - a. The Department Director has the authority to transfer between line items within an activity to facilitate the functions of the activity in accordance with the directions, goals and policies of the City Council.
 - b. The City Manager is authorized to transfer appropriations within an activity budget to facilitate the functions of that activity in accordance with the directions, goals and policies of the City Council.
 - c. A transfer of appropriations between activities, additional appropriations, new programs or new appropriations requires the authorization of the City Council.
- E. Mid-cycle budget adjustment reports will be

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L. Administrative and operational efficiencies should be maximized before pursuing new tax revenue.

M. Reserves and one time revenues should be used first to invest in capital outlay items that could reduce long range operating costs and, thereafter, fund transition expenses.

N. New services should not be added nor existing services expanded unless they are highly valued by the community and there is a willingness to pay for them.

- O. There should be regular monitoring of financial performance and opportunities to make mid-course corrections as warranted.

- P. City policies that may inhibit economic development, especially new retail development, should be reviewed regularly and modified.

A) Capital Financing

1. The City will consider the use of debt financing only for one-time capital improvement projects and only under the following circumstances:
 - a. When the project's useful life will exceed the term of the financing.
 - b. When project revenues or specific resources will be sufficient to service the long-term debt.
2. Debt financing will not be considered appropriate for any recurring purpose such as recurring operating and maintenance expenditures. The issuance of short-term instruments such as revenue, tax, or bond anticipation notes is excluded from this limitation because such borrowings would be issued for a short period of time in anticipation

Fiscal Policies (continued)

of a scheduled revenue stream that would repay the notes.

3. Capital improvements will be financed primarily through user fees, service charges, assessments, special taxes or developer agreements when benefits can be specifically attributed to users of the facility. Accordingly, development impact fees should be created and implemented at levels sufficient to ensure that new development pays its fair share of the cost of constructing necessary community facilities.
4. Development impact fees and residential development control system fees are major funding sources in financing City improvements. However, revenues from these fees are subject to significant fluctuation based upon the rate of new development. Accordingly, the following guidelines will be followed in designing and building projects funded with development impact fees or Measure C fees:
 - a. The availability of fees in funding a specific project will be analyzed on a case-by-case basis as plans and specifications or contract awards are submitted for City Manager or City Council approval.
 - b. If adequate funds are not available at that time, the City Council will make one of two determinations:
 - 1) Defer the project until funds are available.
 - 2) Based on the high-priority of the project, advance funds from other available City Funds. Repayment of advances and related interest will be the first use of development impact

and Measure C funds when they become available.

5. The City should consider internal borrowing prior to issuing bonds if feasible.
 - a. The funds borrowed must not be needed for their intended purposes during the period in which the loan will be outstanding, as certified by City staff.
 - b. Loans will accrue interest at the rate earned by the City on Local Agency Investment Fund (LAIF) investments.
 - c. The cost effectiveness of internal financing compared to external financing opportunities must be analyzed. In general, smaller financings are good candidates for internal financings because costs of issuance would be relatively high on smaller financings, while larger financings are better candidates for external financing.
 - d. In no case shall internal borrowing be contrary to established City reserve policies.
6. The City will use the following criteria to evaluate pay-as-you-go versus long-term financing in funding capital improvements”

Factors Favoring Pay-As-You-Go Financing

- a. Current revenues and adequate fund balances are available or project phasing can be accomplished.
- b. Existing debt levels adversely affect the City's credit rating.
- c. Market conditions are unstable or present

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financings may be used due to market volatility, size of the financing, introduction of new credit structures to the market, or appropriate use of an unusual or complex financing or security structure.

5. The City will seek an investment grade rating (Baa/BBB or greater) on any direct debt and will seek credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability, and cost-effectiveness.
6. The City will monitor all forms of debt annually when the City Budget is prepared and will report any concerns and remedies to the City Council.
7. The City will diligently monitor its compliance with bond covenants and ensure its adherence to federal arbitrage regulations.
8. The City will maintain good, ongoing communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure of appropriate and material information on every financial report and bond prospectus (Official Statement).

- a. Revenues available for debt service are deemed sufficient and reliable so that long-term financings can be marketed with investment grade ratings.
- b. The project securing the financing is of the type which will support an investment grade rating.
- c. Market conditions present favorable interest rates and demand for City financings.
- d. A project is mandated by state or federal requirements, and resources are insufficient or unavailable.
- e. The project is immediately required to meet or relieve capacity needs and current resources are insufficient or unavailable.
- f. The life of the project or asset to be financed is 10 years or longer

C) Debt Structure

- In general, debt should be structured with fixed interest rates. However, for financings of more than \$30 million (principal only) variable rate bonds and swaps should be considered if the City's financial advisor provides guidance that such debt vehicles would be safe and cost effective for the City.

1. General Purpose Debt Capacity. The City will

Fiscal Policies (continued)

carefully monitor its levels of general-purpose debt. Because the City's general purpose debt capacity is limited, it is important that it use only general purpose debt financing for high-priority projects where the City cannot reasonably use other financing methods for two key reasons:

- a. Funds borrowed for a project today are not available to fund other projects tomorrow.
- b. Funds committed for debt repayment today are not available to fund operations in the future.

In evaluating debt capacity, General Fund annual debt service payments should generally not exceed 5% of the General Fund currently budgeted revenues, excluding transfers in. Staff shall report on the current percentage of annual debt service payments compared to revenues within the General Fund in each monthly City Finance and Investment Report.

2. **Enterprise Fund Debt Capacity.** The City will set enterprise fund rates at levels needed to fully cover debt service requirements as well as operations,, maintenance, administration, and capital improvement costs. The ability to afford new debt for enterprise operations will be evaluated as an integral part of the City's periodic rate review and setting process.

E) Independent Disclosure Counsel

The City should retain the services of an independent disclosure counsel in conjunction with specific project financings when the City's financial advisor, bond counsel, or underwriter recommends that the City retain an independent disclosure counsel based upon the circumstances of the

financing. In general, the City should hire independent disclosure to prepare the bond prospectus (Official Statement) so that all material information is disclosed to investors.

F) Independent Financial Advisor

The City should hire a financial advisor for all external financings in excess of \$500,000. The Financial Advisor will provide guidance regarding the structuring of the financing, and coordinate the sale of the bonds so that the City will pay the lowest true interest cost.

G) Land-Based Financings

- 1. Public Purpose.** There will be a clearly articulated public purpose in forming an assessment or special tax district in financing public infrastructure improvements (excluding Redevelopment Agency). If this public purpose relates to economic development in the City, then this financing should be discussed by the Community and Economic Development Committee and a recommendation concerning this purpose should be made to the City Council. In addition, the City Council should make a finding as to why this form of financing is preferred over other funding options such as reimbursement agreements, or direct developer responsibility for the improvements.
- 2. Active Role.** Even though land based financings may be a limited obligation of the City, the City will play an active role in managing the district. This means that the City will select and retain the financing team, including the financial advisor, bond counsel, trustee, appraiser, disclosure counsel, assessment engineer, and underwriter, if applicable. Any costs incurred by the City in

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retaining these services or for staff time will generally be the responsibility of the property owners or developer and will be advanced via a deposit when an application is filed. Alternatively, these costs may be paid on a contingency fee basis from the bond proceeds.

3. **Credit Quality.** When a developer requests a district, the City will carefully evaluate the applicant's financial plan and ability to carry the project, including the payment of assessments and special taxes during build-out. This may include detailed background, credit, and lender checks, as well as the preparation of independent appraisal reports and market absorption studies. Any costs incurred by the City in retaining these services or for staff time will generally be the responsibility of the property owners or developer and will be advanced via a deposit when an application is filed. Alternatively, these costs may be paid on a contingency fee basis from the bond proceeds. For districts where one property owner accounts for more than 25% of the annual debt serviced obligation, a letter of credit further securing the financing may be required.
4. **Reserve Fund.** A reserve fund should be established in the lesser amount of: the maximum annual debt service; 125% of the annual average debt service; or 10% of the original bond principal (industry standard).
5. **Value-to-Debt Ratios.** The minimum value-to-debt ratio shall be at least 3 to 1. This means that the value of the property in the district, with the public improvements, should be at least three times the amount of the assessment or special tax debt.
7. **Maximum Burden.** Annual assessments (or special taxes in the case of Mello-Roos or similar districts) should generally not exceed 1% of the projected sales price of the fully developed property.
8. **Benefit Apportionment.** Assessments and special taxes will be apportioned according to a formula that is clear, understandable, equitable, and reasonably related to the benefit received by, or burden attributed to, each parcel with respect to its financed improvement. Any annual escalation factor should not exceed the greater of 2% or the projected change in the consumer price index.
9. **Special Tax District Administration.** In the case of Mello Roos or similar special tax districts, the total maximum annual tax should not exceed 110% of annual debt service. The rate and method of apportionment should include a back-up tax in the event of significant changes from the initial development plan, and should include procedures for prepayments.
10. **Foreclosure covenants.** In managing administrative costs, the City will establish maximum delinquency amounts per owner, and for the district as a whole, before initiating foreclosure proceedings.
11. **Disclosure to Bondholders.** In general, each property owner who accounts for more than 10% of the annual debt service or bonded

Fiscal Policies (continued)

indebtedness should provide ongoing disclosure information annually as described under SEC Rule 15 (c) 2-12.

- 12. Disclosure to Prospective Purchasers.** Full disclosure about outstanding balances and annual payments should be made by a property seller to prospective buyers at the time that buyers bid on the property.

H) Conduit Financings

1. The City will consider requests for conduit financing on a case-by-case basis using the following criteria:
 - a. The City's bond counsel will review the terms of the financing and render an opinion that there will be no liability to the City in issuing the bonds on behalf of the applicant.
 - b. There is a clearly articulated public purpose in providing the conduit financing.
 - c. The applicant is capable of achieving this public purpose.
2. The review of requests for conduit financing will be a two-step process:
 - a. First asking the Council if they are interested in considering the request and establishing the ground rules for evaluating it; and
 - b. Then returning with the results of this evaluation, and recommending approval of appropriate financing documents if warranted.

This two-step approach ensures that the issues are clear for both the City and applicant, and that key

policy questions are answered.

3. The work scope necessary to address these issues will vary from request to request and will have to be determined on a case-by-case basis. Additionally, the City should generally be fully reimbursed for our costs in evaluating the request. However, this should also be determined on a case-by-case basis.

I) Successor Agency Refinancing of Redevelopment Bonds

1. The City acting as the Successor Agency shall refinance Redevelopment Agency Tax Allocation Bonds within the constraints of AB1x26, the legislation that abolished redevelopment and only with approval from the Oversight Board.
2. When refinancing Tax Allocation Bonds, the Successor Agency shall use a financial advisor, bond counsel, disclosure counsel, underwriter (for a negotiated sale), and other consultants who are experts in the issuance of redevelopment financing instruments.
3. Tax Allocation Refinancing Bonds shall be issued in a manner that is consistent with AB1x26.
4. Debt Management and Debt Structure for Tax Allocation Refinancing Bonds shall be consistent with the requirements described in sections B and C above.

J) Investment Policy

The City of Morgan Hill Statement of Investment Policy is available at:

<http://www.morgan-hill.ca.gov/DocumentCenter/View/6069>

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The General Fund is a governmental fund used to account for the day-to-day operations of the City. All financial activity that is not required to be accounted for in another fund is included in the General Fund. Public safety, government administration, recreation, downtown maintenance, street maintenance, environmental programs and park maintenance are funded from the General Fund.

The General Fund receives all general taxes, such as property taxes, sales taxes and transient occupancy taxes, licenses and permit revenues, funding from other government agencies such as vehicle-in-lieu fees, fines and penalties, interest, rentals not specifically designated for another fund, and charges for current services.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) that are legally restricted to expenditures for specified purposes.

The Street Fund is a special revenue fund used to account for the receipt and disbursement of State and Federal gas tax, and other monies that are to be used for the maintenance, repair, and design of streets. State gas tax funds are distributed to cities based on population from gas taxes collected at the point of sale. The use of gas tax funds is restricted to street expenditures by State and Federal legislation.

The Supplemental Law Enforcement Fund is a special revenue fund used to account for the receipt and disbursement of State and Federal grant monies that provide for the restoration of public safety services. The use of grant monies in this fund is legally restricted for the funding of public safety officers and/or supplies

The Community Development Fund is a special revenue fund used to account for the collection of planning, building, and engineering fees. The expenditures of these funds are restricted to the costs associated with processing building, engineering and planning applications.

The General Plan Update Fund is a special revenue fund established to account for the costs of updating the General Plan. The update has been funded by a 5% surcharge on all planning and building permit fees and by transfers from various funds: General, Park Development Impact, Community Development, Redevelopment, Housing, Sewer, and Water. The expenditures are restricted to costs incurred for the General Plan update.

The Community Development Block Grant (CDBG) and CDBG Revolving Loan Funds are special revenue funds used to account for Federal low and moderate income housing program funds. These funds are restricted to low and moderate income housing uses.

The Lighting and Landscape District Fund is a special revenue fund which derives monies from special property assessments to support City maintenance services in park and landscape areas within residential developments that were originally included in the District.

Community Facilities District Fund is a special revenue fund, which derives monies from a special tax to support the maintenance and evaluation of the revegetated area along Fisher Creek.

Environmental Programs Fund (232)

Description of Funds (continued)

The Environmental Programs Fund is a special revenue fund that is used to account for Burrowing Owl and Stormwater Pollution & Prevention activities.

**City of Morgan Hill Acting as the Successor Agency to
the Morgan Hill Redevelopment Agency (250)**

With the abolition of redevelopment on February 1, 2012 under AB1x26, the City was required to close out the old Redevelopment Agency Funds (317 and 327, as described below) on January 31 and establish this new one on behalf of what the State Legislature called the “Successor Agency,” which is the City itself acting as successor to the former Redevelopment Agency. This fund, described in AB1x26 as the Redevelopment Obligation Retirement Fund, will receive from the County Auditor-Controller property tax related to former redevelopment in amounts to pay enforceable obligations listed in the Recognized Obligation Payment Schedule (ROPS), approved by the Oversight Board that was appointed to oversee the wind-down of redevelopment in Morgan Hill and Department of Finance. In turn, this fund will record the expenditures required to discharge the enforceable obligations.

Successor Housing Agency (255)

This fund accounts for the successor agency's housing assets and activities in a manner parallel to Fund 250 described immediately above, with the exception that the City Council, rather than the Oversight Board, governs the fiscal actions of this fund. Furthermore, this fund is projected to receive significant program income (rents, loan repayments, State grants, etc.) not likely to flow to Fund 250.

Other Special Revenue Funds

There are seven other small special revenue funds. The balances in these funds are restricted by law and/or ordinance. The funds include:

- Asset Seizure Fund (225)
- Mobile Home Park Rent Stabilization Fund (234)
- Senior Housing Trust Fund (235)

- Housing Fee Fund (236)
- Employee Assistance Fund (240)
- Environmental Remediation Fund (247)

The Senior Housing Trust Fund was established to account for the funds that were set aside to fund programs for elderly persons over the age of 55, while the Housing Fee Fund was established to provide for housing related programs and projects.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for the financial resources to be used for acquisition and/or construction and/or maintenance of capital facilities. The funds are restricted by State law and/or City ordinance for specific uses. AB1600 (Government Code Sect. 66000-66003) restricts the collection and use of certain development impact fees. AB1600 indicates that there must be a reasonable relationship between the fee and the purpose for which it was charged. The following funds are the Capital Projects Funds:

Park Development Fund (301)

Park Development Impact Fund revenues are received from developers of properties. The funds may only be used for the design, development and construction of new parks within the City. Fund is subject to the restrictions of AB1600.

Park Maintenance Fund (302)

Park Maintenance/Development Fund receives revenues from developers of properties and the funds may only be used for the maintenance and development of the City's parks.

Drainage Impact Fund (303)

Local Drainage Impact Fund revenues are received from developers of properties and the funds may only be used for the design and construction of new storm drains. Fund is subject to the restrictions of AB1600.

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Undergrounding Fund receives revenues from developers for the undergrounding of utilities in areas of new development. Expenditures may be made from these funds only for the design and construction associated with such undergrounding.

Description of Funds (continued)

School Pedestrian and Traffic Safety Fund (355)

This fund accounts for the revenues and expenditures related to the collection and use of development fees for pedestrian and traffic safety capital improvements at or near schools.

Community Recreation Centers Impact Fund (360)

This fund was set up to collect revenues derived from a fee charged to developers to cover the costs to construct new community centers within Morgan Hill. Fund is subject to the restrictions of AB1600.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

Civic Center Debt Service (420)

A fund to track transactions of the 2006 bonds issued to build the Public Library, and make improvements to City Hall Campus.

Police Facility Bond Debt Service (441)

A fund to track transactions of the 2004 bonds issued to build the Police Station.

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Sewer Operations Fund (640)

The Sewer Operations Fund receives revenues from user charges based on sewer usage. All expenditures for the operation of the sewer system including maintenance and debt service are charged to the Sewer Operations Fund.

Sewer Impact Fund (641)

The Sewer Impact Fund receives revenues from developer charges to cover the costs to construct sewer improvements required as a result of new development. Expenditures may only be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. Fund is subject to the restrictions of AB1600.

Sewer Rate Stabilization Fund (642)

The Sewer Rate Stabilization Fund was established to avoid fluctuations in the sewer rates charged.

Sewer System Replacement Fund (643)

This fund was established to avoid fluctuations in the sewer rates charged by providing reserve funding for future system replacements. Future funding will come from transfers from the Operations Fund when available with a minimum reserve target of 3% of net depreciable capital assets.

Water Operations Fund (650)

The Operations Fund receives revenues from user charges based on water usage. All expenditures for the operation of the water system including maintenance and debt service are charged to the Water Operations Fund.

Water Impact Fund (651)

The Impact Fund receives revenues from developer charges to cover the costs to construct water improvements required as a result of the new development. Expenditures may only be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. Fund is subject to the restrictions of AB1600.

Water Rate Stabilization Fund (652)

The Rate Stabilization Fund was established to avoid fluctuations in the water rates charged.

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This fund was renamed and combined with the Water Capital Projects Fund. This fund was established to avoid fluctuations in sewer rates by providing reserve funding for future system replacements. Future contributions will come from transfers from the Operations Fund when available with a minimum reserve target of 3% of net depreciable capital assets..

- MH Ranch Reassessment 2004 (844)
- Madrone Bus. Park - Exempt (845)
- Madrone Bus. Park - Taxable (846)
- Tennant Ave Business Park (848)
- Police Donation Trust (881)

Internal Service Funds account for the financing of goods and/or services provided by one department to other departments within the City and the Redevelopment Agency. The Internal Service Fund accumulates all the costs related to the service provided and then the costs are charged to the department receiving the goods and/or services based on the quantity of service received.

- Information Systems Fund (730)
- Building Maintenance Fund (740)
- Building Replacement Fund (741)
- Project Implementation (745)
- Unemployment Insurance Fund (760)
- Workers' Compensation Fund (770)
- Equipment Replacement Fund (790)
- Employee Benefits Fund (791)
- General Liability Insurance Fund (795)

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains the following Agency Funds:

- Special Deposits (820)
- Downtown PBID (830)
- MH Business Ranch 98 AD (843)

Glossary of Budget & Financial Terms

AB 1234

This law requires that all local agencies that provide compensation, salary, or stipend to, or reimburses the expenses of, members of a legislative body must provide ethics training to local agency officials every two years.

AB 1600

This law codifies the legal requirement that fees on new development have the proper nexus to any project on which they are imposed. The fees must be segregated from the general fund and from other funds or accounts containing fees collected for other impacts or departments.

ABAG

Association of Bay Area Governments - one of more than 560 regional planning agencies across the nation working to help solve problems in areas such as land use, housing, environmental quality, and economic development.

AC

Aquatics Center - features of the Aquatics Center include a 5,316 square foot recreation activity pool with interactive play structure and slide; 800 square foot interactive spray-ground; six lane instructional pool; 50-meter competition pool; two event rooms; locker rooms; two family changing rooms; shaded lawn and deck area.

Accounting System

The total set of records and procedures which are used to record, classify, and report information on the financial status and operations of an entity.

Accrual Accounting

Revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

AFSCME

American Federation of State, County and Municipal Employees

Appropriation

An authorization made by the City Council which permits officials to incur obligations against and to make expenditures of governmental resources for a specific purpose within the budget year, July 1 through June 30.

Assessed Valuation

The estimated value placed upon real and personal property by the County Assessor as the basis for levying property taxes.

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Property owned by the City which has monetary value.

A systematic examination of the City's financial records and processes which concludes in a written financial report. It includes test of management's internal accounting controls and is intended to:

1. ascertain whether financial statements fairly present financial positions and results of operations;
2. test whether transactions have been legally performed; and,
3. identify areas for possible improvements in accounting practices and procedures

A statement which presents the financial position of an entity by disclosing its assets, liabilities, and fund equities as of a specific date.

Below Market Rate

A written promise to pay (debt) a specified sum of money (called principal or face value) at a specified future date (called the maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used for long-term debt to pay for specific capital expenditures.

Morgan Hill budgets using the modified accrual basis plus encumbrances.

1. Under ‘modified accrual’ amounts are recognized as revenue when earned, only so long as they are collectible within the period or soon enough afterwards to be used to pay liabilities of the current period.
2. Encumbrances outstanding at year-end are reappropriated in the next year and reported as reservations of fund balance.

A plan of financial operation listing an estimate of proposed expenditures (appropriations) for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates).

Glossary (continued)

Budget Calendar

The schedule of key dates or milestones which the City follows in the preparation and adoption of the budget.

Budget Message

A discussion of the proposed budget presented by the City Manager in writing as a part of, or supplement to, the budget document. The budget message explains principal budget issues against the background of financial experience in recent years and presents recommendations made.

CAFR

Comprehensive Annual financial Report - A financial report on assets, liabilities, revenues and expenditures in a standardized format that must conform to the Government Accounting Standards Board (GASB) accounting and financial reporting standards. This financial report is called the Comprehensive Annual Financial Report (CAFR, pronounced “kaffer”). The CAFR describes what actually was spent and the status of assets and liabilities at the end of the fiscal year.

CalPERS

California Public Employees Retirement System provides retirement, health, and related financial programs and benefits to 1.5 million public employees, retirees, and their families and more than 2,500 public employers.

Capital Asset

Assets of significant value and having a useful life of more than one year. Capital assets are also called fixed assets.

Capital Budget

A plan of proposed capital expenditures and the means of financing them.

CIP

Capital Improvement Plan or Program - a five-year plan for expenditures setting forth each capital project, the amount to be expended in each year, and the method of financing those expenditures. Expenditures may include the design, construction, or purchase of land, buildings, or facilities.

Capital Outlay

Expenditures exceeding \$3,000 for the acquisition of capital assets. Includes the cost of land, buildings, permanent improvements, machinery, large tools and rolling and stationary equipment.

Capital Projects

Projects for purchase or construction of capital assets. Typically a capital project encompasses a purchase of land and/or the construction of a building or facility.

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Used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Internal Service Funds).

Community and Cultural Center - the campus includes the Community Playhouse, Gavilan College, the Outdoor Amphitheater, the main Community and Cultural Center building.

Community Development Block Grant - the CDBG program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at the US Department of Housing and Urban Development (HUD). The CDBG program provides annual grants on a formula basis to 1180 general units of local government and States.

A negotiable or non-negotiable receipt for monies deposited in a bank or financial institution for a specified period at a specified rate of interest

All work involved in preparation of construction plans, contractual documents and construction administration for the design and upgrade of various infrastructures for projects identified in the 5-year Capital Improvement Program.

A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for.

Certificate of Participation - provides long-term financing through a lease or installment sale agreement that does not constitute indebtedness under the state constitutional debt limit and does not require voter approval

Centennial Recreation Center - the 52,000 square foot Centennial Recreation Center features a gymnasium, fitness center, indoor pool with water play features, teen and senior wing, multi-purpose room, and computer lab.

Community Service Officers Association – the City of Morgan Hill public safety support union

Glossary (continued)

Debt Service

Payment of interest, and repayment of principal to holders of the City's debt instruments.

Debt Service Fund

Used to account for the accumulation of resources for, and payment of, general long-term debt.

Deficit

1. the excess of an entity's liabilities over its assets (see Fund Balance); or
2. the excess of expenditures or expenses over revenues during an accounting period

Encumbrance

Obligations in the form of purchase orders or contract commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances are eliminated when paid or when a liability is recorded. Carryforward encumbrances are obligations and appropriations which are transferred to the subsequent fiscal year.

Enterprise Fund

Fund used to account for government operations that are financed and operated in a manner similar to business enterprises. These programs are entirely or predominantly self-supporting. Examples of Enterprise Funds are those used for sewer and water systems.

EOC

Emergency Operations Center

EOP

Emergency Operations Plan

EPA NPDES

Environmental Protection Agency National Pollutant Discharge Elimination System (NPDES) Permitting Program - industrial, municipal, and other facilities must obtain permits if their discharges go directly to surface waters

Expenditures

The payment against an appropriation for goods received or services rendered.

Fiscal Year

The twelve-month period beginning July 1st and ending the following June 30th.

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An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Remaining balance available following the reduction for resources not available for spending or “legal restrictions” (reservation) and intended future use of resources (designation).

Generally Accepted Accounting Principles - the standard framework of guidelines for financial accounting. It includes the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements.

The fund supported by taxes, fees, and other revenues that may be used for any lawful purpose. The general fund accounts for all financial resources except those required to be accounted for in another fund. This fund accounts for the general operating programs of the City.

When the City pledges its full faith and credit to repayment of the bonds it issues, then those bonds are general obligation (G.O.) bonds. Sometimes the term is also used to refer to bonds which are to be repaid from taxes and other general revenues. In California, G.O. bonds issued after 1977 must be authorized by public referenda with two-thirds voter approval. The City currently has no General Obligation Bond debt.

Government Finance Officers Association - The GFOA is the professional association of state/provincial and local finance officers in the United States and Canada.

Injury and Illness Prevention Program

Fees imposed in connection with approval of a development project for the purpose of defraying all or a portion of the cost of public facilities related to the development project.

Glossary

Infrastructure

All City owned facilities supporting the operation of the governmental unit. It includes: streets, roads, bridges, curbs and gutters, parks, water and sewer lines, storm drains, water pump stations and reservoirs, water wells, sewer lift stations, all government buildings and related facilities.

Intergovernmental Grant

A contribution of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the State and Federal Governments. Grants are usually made for specified purposes.

Internal Service Fund

Funds used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City.

Investments

Securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals or base payments.

LAFCO

Local Agency Formation Commission.

Liability

A debt or other legal obligation arising out of transactions in the past which must be liquidated, renewed or refunded at some future date. NOTE: The term does not include encumbrances.

Maturities

The dates on which the principal or stated values of investments or debt obligations mature and may be reclaimed.

Measure C

A measure approved by voters amending the Morgan Hill General Plan and Municipal Code to update Measure P, the City's Residential Development Control System (RDSCS) to extend the RDSCS to 2020, establishing a population ceiling of 48,000 for the year 2020.

Modified Accrual

Recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows and outflows of cash. Amounts are recognized as revenue when earned, only so long as they are collectible within the period or soon enough afterwards to be used to pay liabilities of the current period.

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Memorandum of Understanding – The City of Morgan Hill uses a MOU to define the relationship between the City and its represented employees. It creates a platform for a clear understanding of each party's commitments/purpose.

Resources derived from recurring revenue sources used to finance ongoing operating expenditures and pay-as-you-go capital projects.

Outdoor Sports Center

Occupational Health and Safety Administration

Specific quantitative measures of work performed within an activity or program (e.g., total miles of streets cleaned). Also, a specific quantitative measure of results obtained through a program or activity (e.g., reduced incidence of vandalism due to new street lighting program).

Police Officer's Association – the City of Morgan Hill police officer's union.

Peace Officer Standards and Training

Taxes on real and personal property located upon that property of the same owner.

Taxes on property for which the value of the lien is not sufficient to assure payment of the tax.

The Gann Initiative – limits growth in government spending to changes in population and inflation.

Glossary (continued)

Proposition 111

State measure (1990) increasing gasoline and diesel fuel tax rates by 9 cents per gallon over a five-year period. Since 1994 this tax has been assessed at 18 cents per gallon.

Reappropriation

A governing body action that transfers spending authority from a completed fiscal year to the subsequent spending plan.

Redevelopment Agency (RDA)

Dedicated to improving the quality of life in Morgan Hill. The Agency works to remove blight and breathe new life into deteriorated areas of the city. The Agency is also responsible for many of the improvements to the city's infrastructure (street and sewer improvements), renewal of the downtown area, construction of community facilities, affordable housing, and economic development.

Reserves

An account used to indicate that a portion of fund equity that is legally restricted for a specific purpose.

Resources

Total dollars available for appropriations including estimated revenues, fund transfers, and beginning fund balances.

Revenues

Total dollars received from taxes, fees, permits, licenses, interest, and intergovernmental sources including grants within the fiscal year.

Revenue bonds

Bonds which pledge one specific revenue source to repayment. In addition to a pledge of revenues, such bonds sometimes may be secured by a lien against property.

Revenue Estimate

A formal estimate of how much revenue will be earned from a specific revenue source for some future period; typically, a future fiscal year.

SCCFD

Santa Clara County Fire Department

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The South County Regional Wastewater Authority - handles the disposal of wastewater from Gilroy and Morgan Hill.

Separate fund used to account for the proceeds of special revenue sources that are restricted by law (or administrative action) to expenditures for specific purposes.

Tax on persons staying 30 days or less in a hotel, inn, motel, tourist home, non-membership campground or other lodging facility.

Unemployment Insurance

Cost of producing one unit of product or service, usually based on averages. Unit costs may be stated in terms of gallons, feet, tons, individual units, etc.

The payment of a fee for direct receipt of a public service by the party benefiting from the service.

The rate earned on an investment based on the price paid.

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